

Overview of the Macedonian Economy

U.S. Embassy Skopje

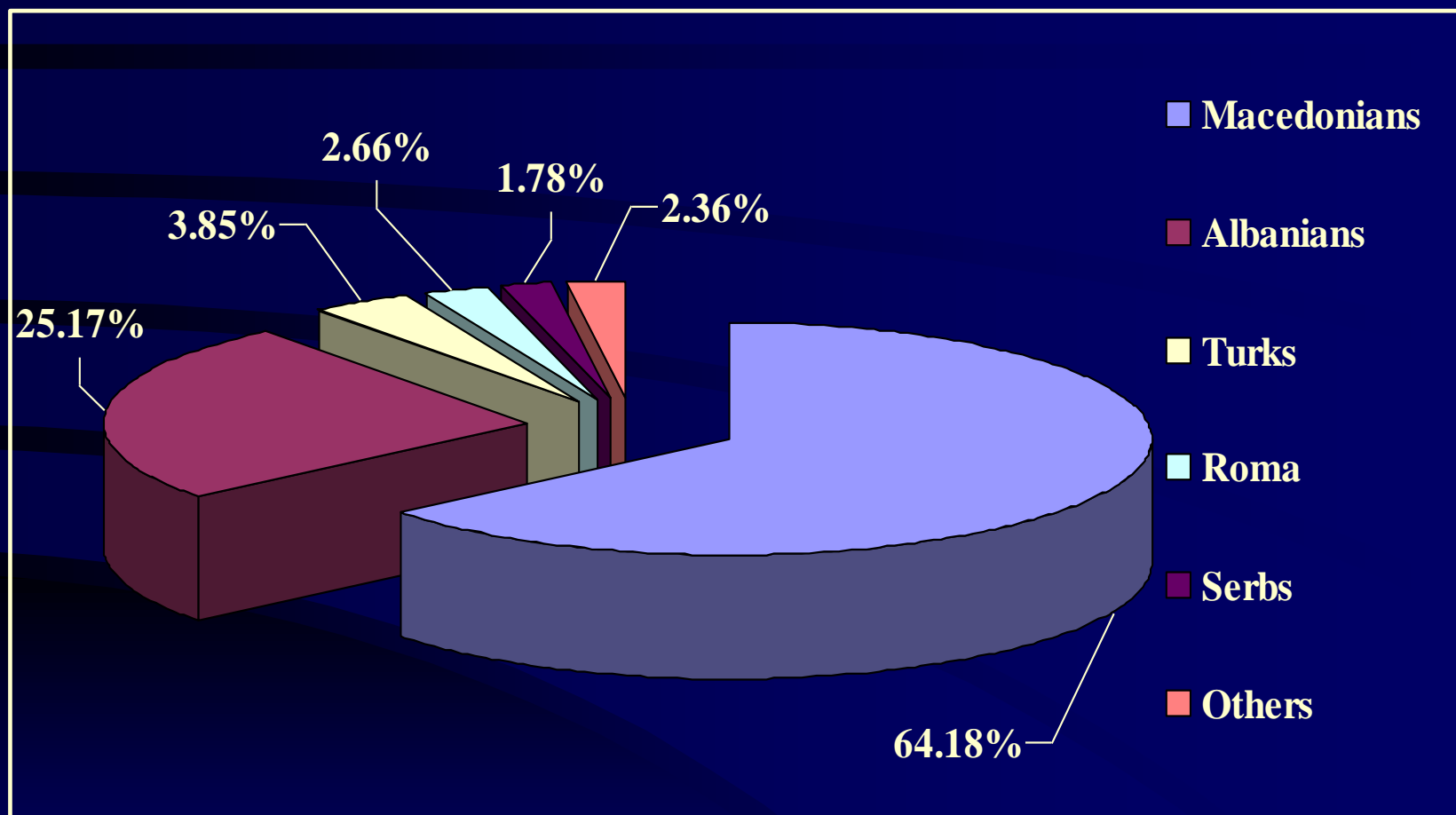
Important events

- September 8th, 1991, a referendum on sovereignty and independence
- November 17th, 1991, Constitution was adopted
- April 26th, 1992, monetary independence and introduction of new national currency - Denar
- April 8th, 1993, Macedonia became the 181st member of the UN
- April 1993, Macedonia became a member of the World Bank and the IMF
- April 4th, 2003, Macedonia became a member of the WTO
- November 2005, Macedonia became candidate country for membership in the EU

Demography

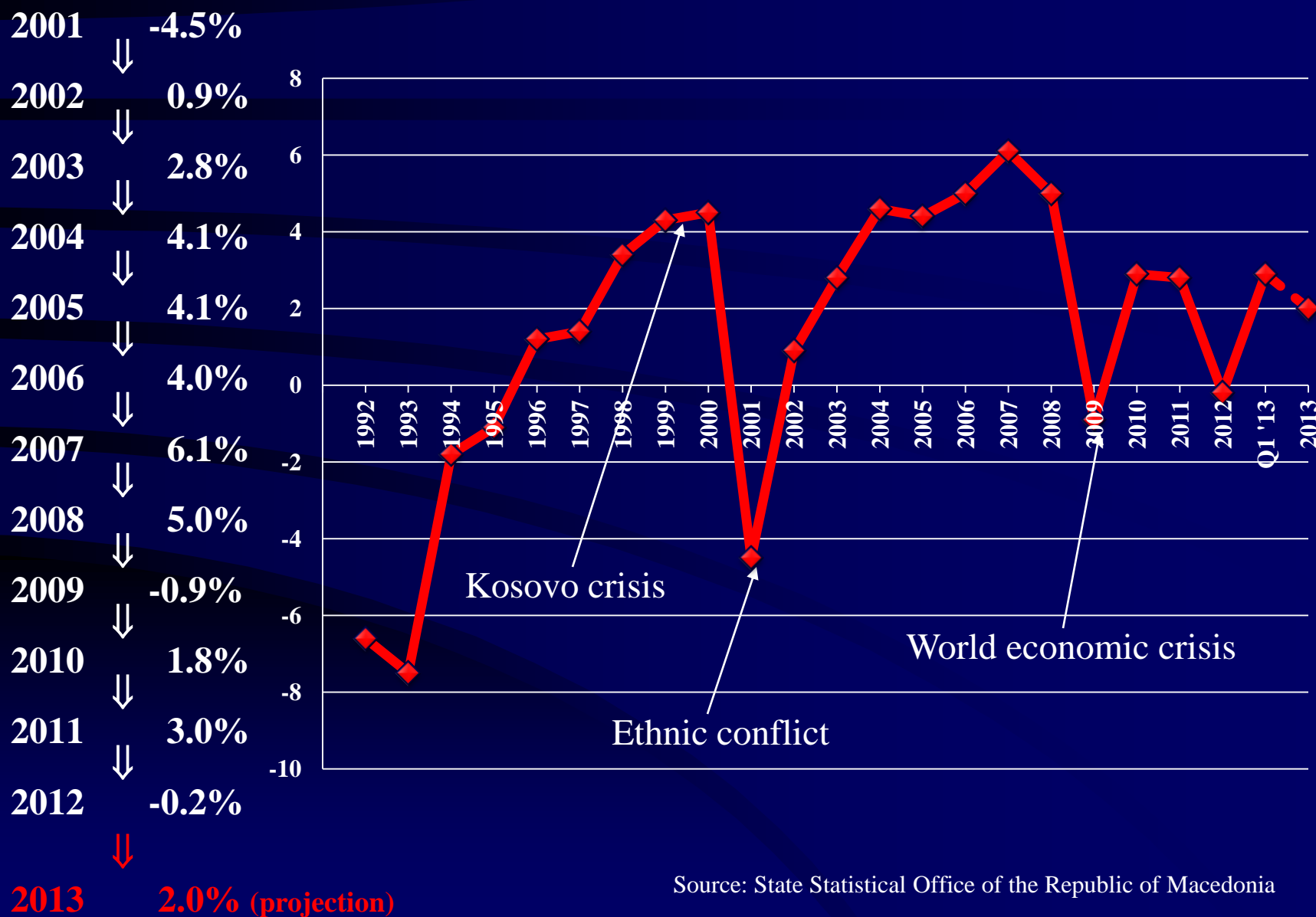
- Total area: 25,713 square km
- Total population: 2.0 million
- Growth rate: 0.4%
- Rural: 40.2%
- Urban: 59.8%

Ethnic composition



Source: Census 2002, State Statistical Office of the Republic of Macedonia

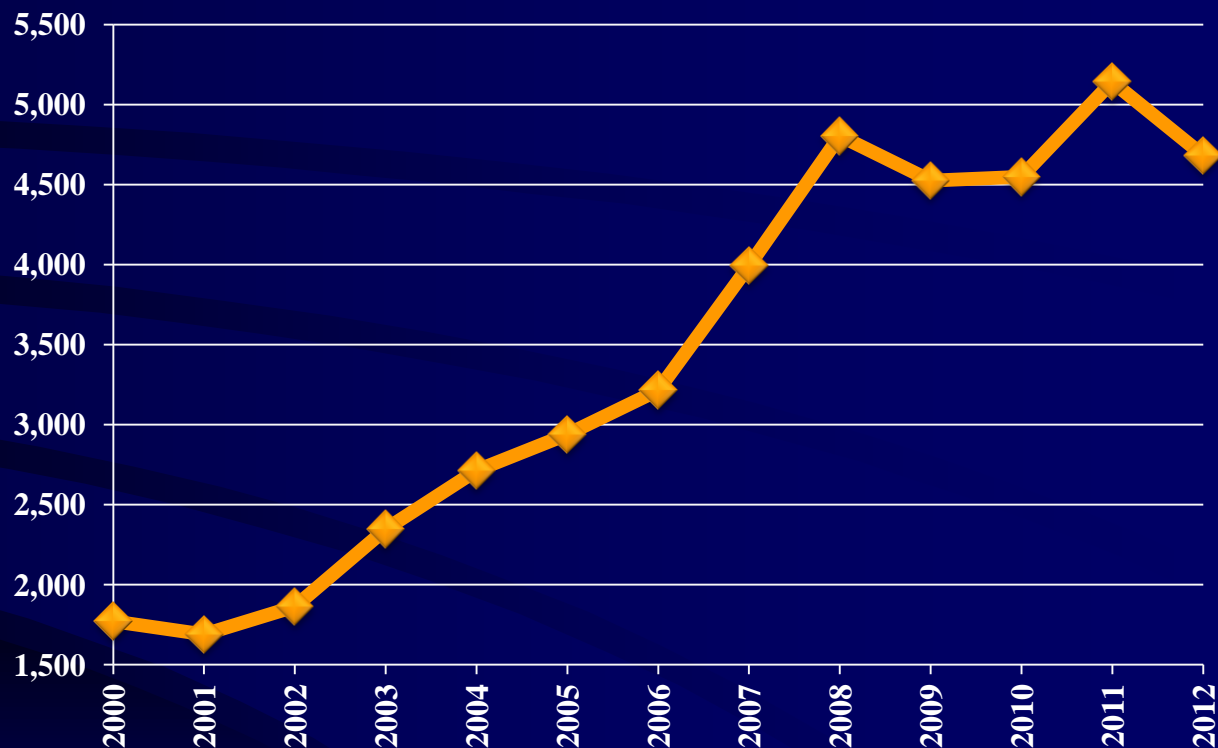
Gross Domestic Product (in %)



Source: State Statistical Office of the Republic of Macedonia

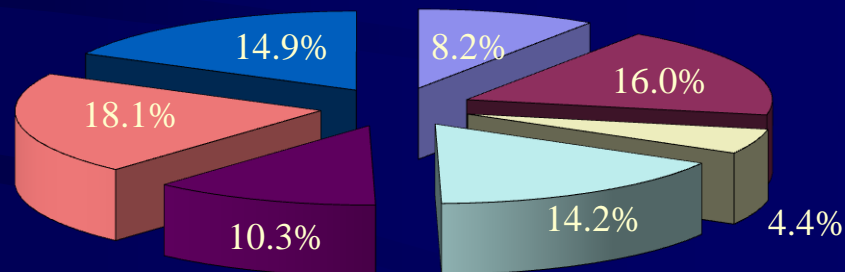
GDP per capita (in US\$)

2001	↓	1,689
2002	↓	1,863
2003	↓	2,348
2004	↓	2,713
2005	↓	2,939
2006	↓	3,216
2007	↓	3,994
2008	↓	4,805
2009	↓	4,525
2010	↓	4,549
2011	↓	5,144
2012		4,683



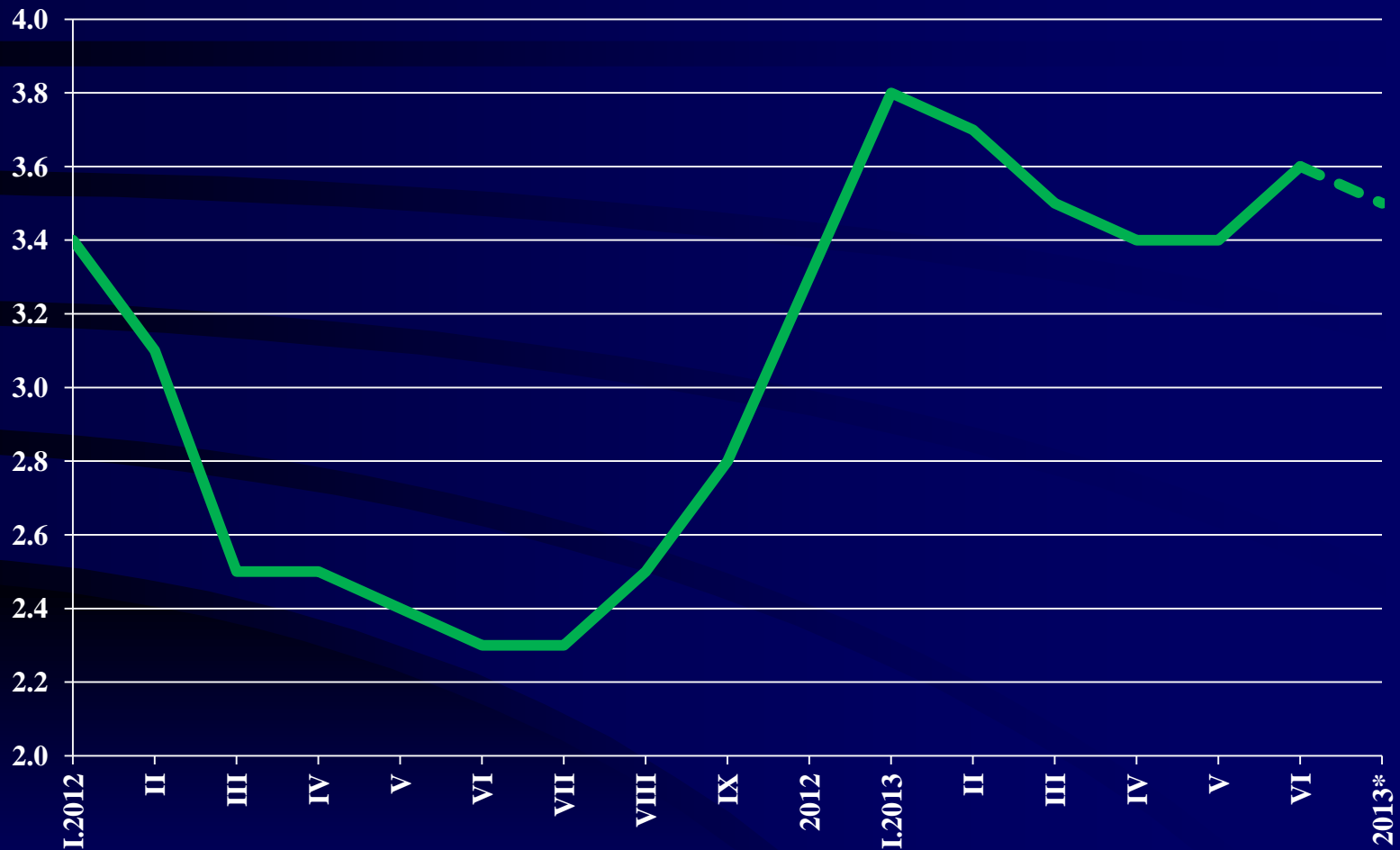
Main components of GDP in Q1 2013

18.1	Financial intermediation, real estate, renting and business activities
16.0	Mining, quarrying, manufacturing and electricity, gas and water supply
14.9	Public administration, defense, education, health and social work
14.2	Trade (wholesale and retail)
10.3	Transport and communication
8.2	Agriculture, forestry and fishing
4.4	Construction



Inflation

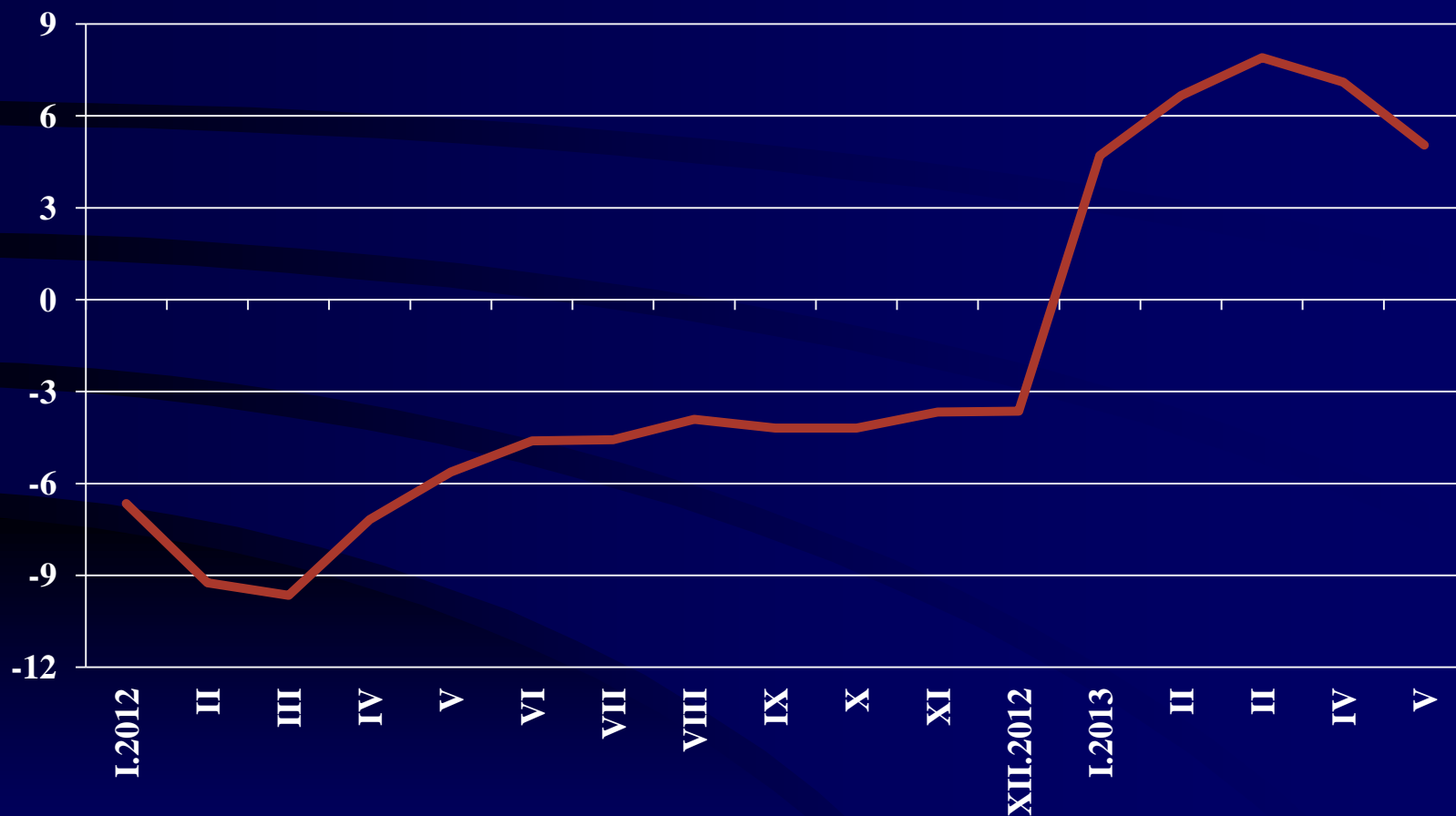
(average rate = period / last year's period)



* projected

Industrial output

(average rate = period / last year's period)



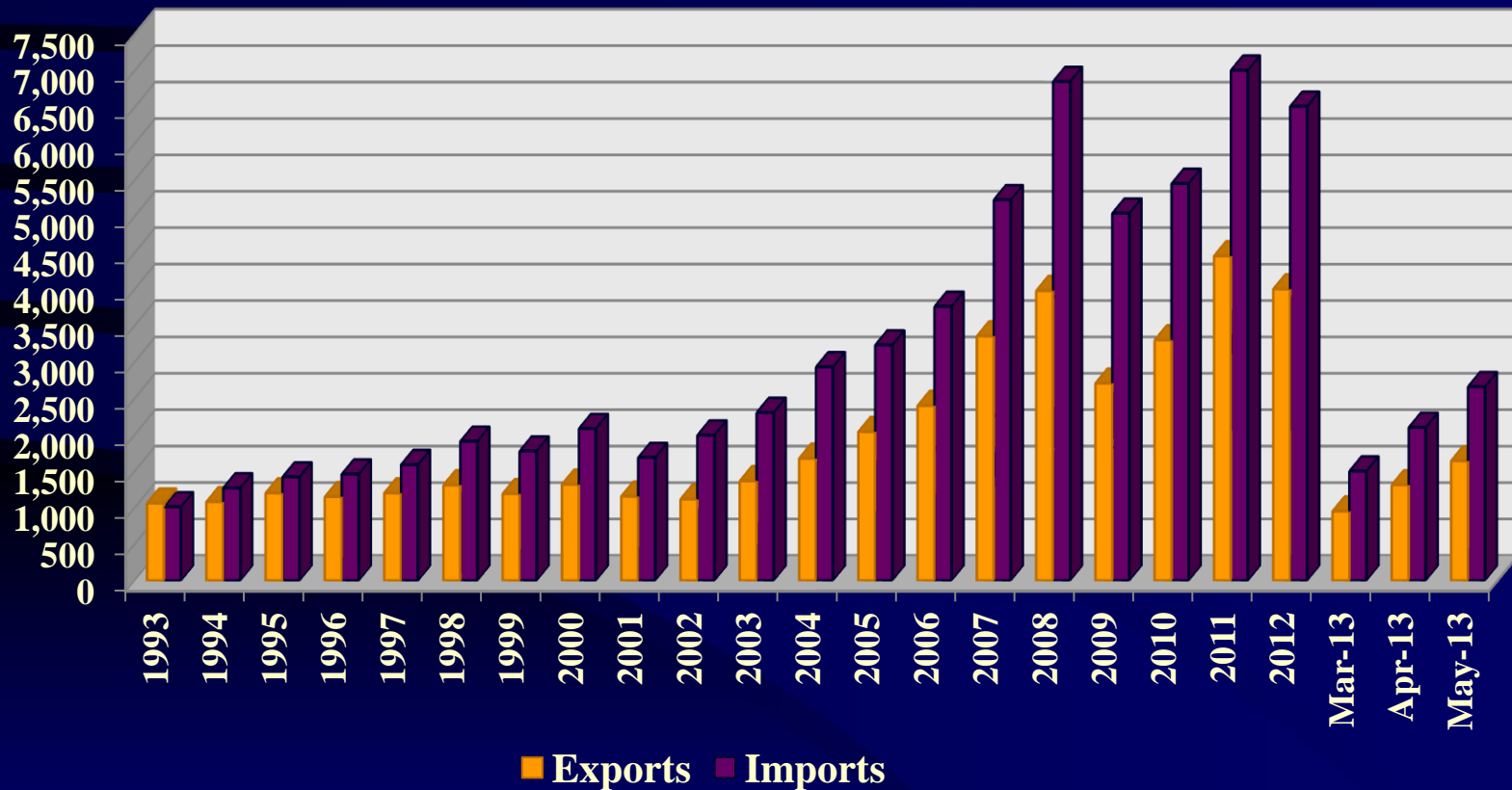
Industrial output by branches

(% change)

	Structure	<u>I-V '13</u> <u>I-V '12</u>	<u>I-V '13</u> <u>I-V '12</u>
Total	100.00	101.7	1.7
Manufacturing	75.78	98.7	-1.3
Production of basic metals	9.16	79.6	-20.4
Food production	13.64	100.1	0.1
Production of wearing apparel	10.14	115.9	15.9
Production of other non-metallic minerals	5.02	97.9	-2.1
Tobacco industry	4.44	114.6	14.6
Beverages production	5.60	106.2	6.2
Production of coke and refined petroleum products	0.33	36.8	-63.2
Production of electrical equipment	2.34	96.5	-3.5
Production of fabricated metal products, except machinery and equipment	2.65	59.8	-40.2
Production of basic pharmaceuticals and pharmaceutical preparations	3.31	101.7	1.7
Production of chemicals and chemical products	1.54	76.9	-23.1
Production of rubber products and plastics	2.78	98.0	-2.0
Production of leather and other leather products	1.11	95.2	-4.8
Textile industry	1.00	207.2	107.2
Electricity, gas, steam, and air conditioning supply	12.35	110.8	10.8
Mining and quarrying	11.87	110.3	10.3

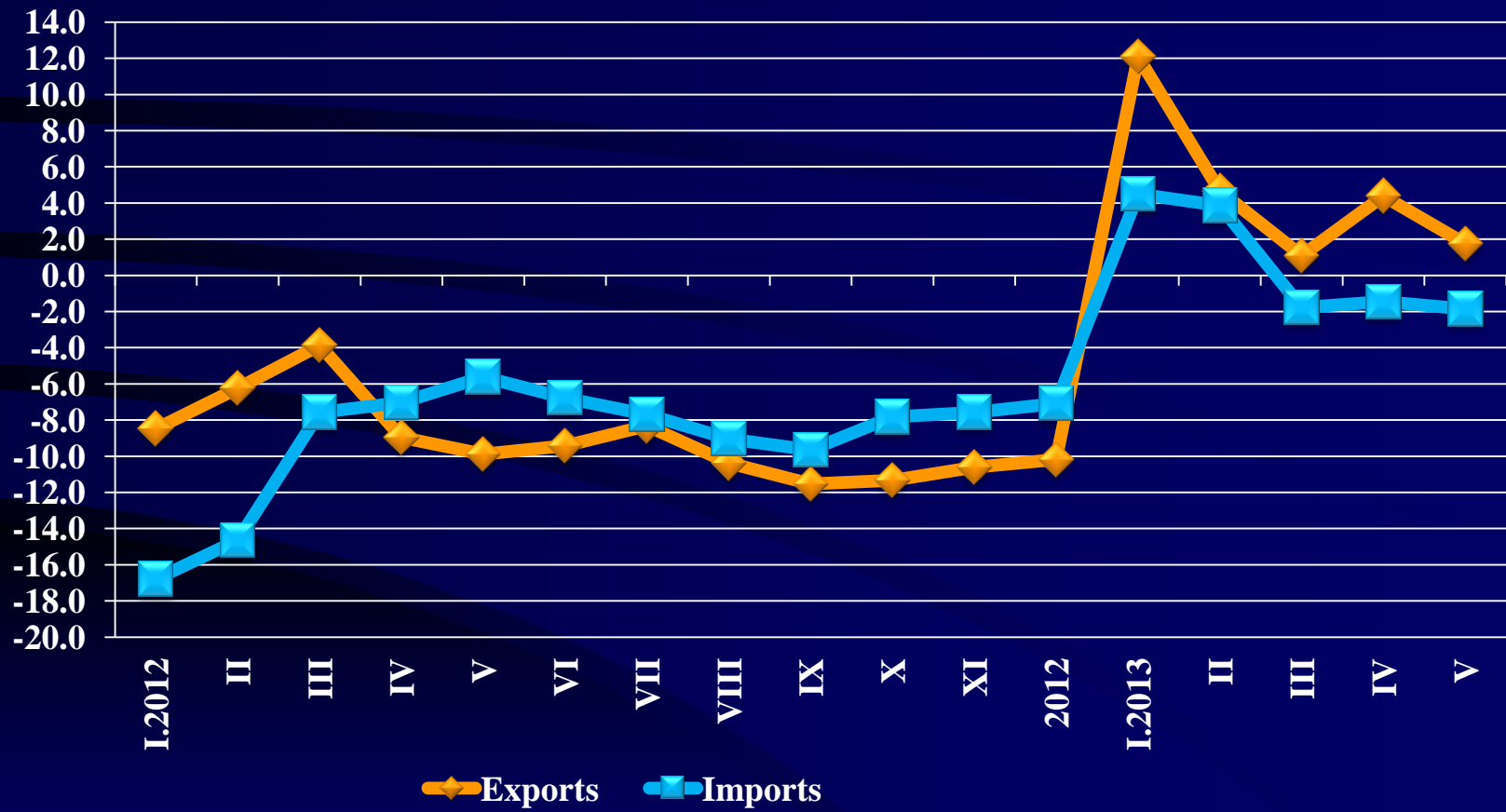
Foreign trade

(in million US\$)

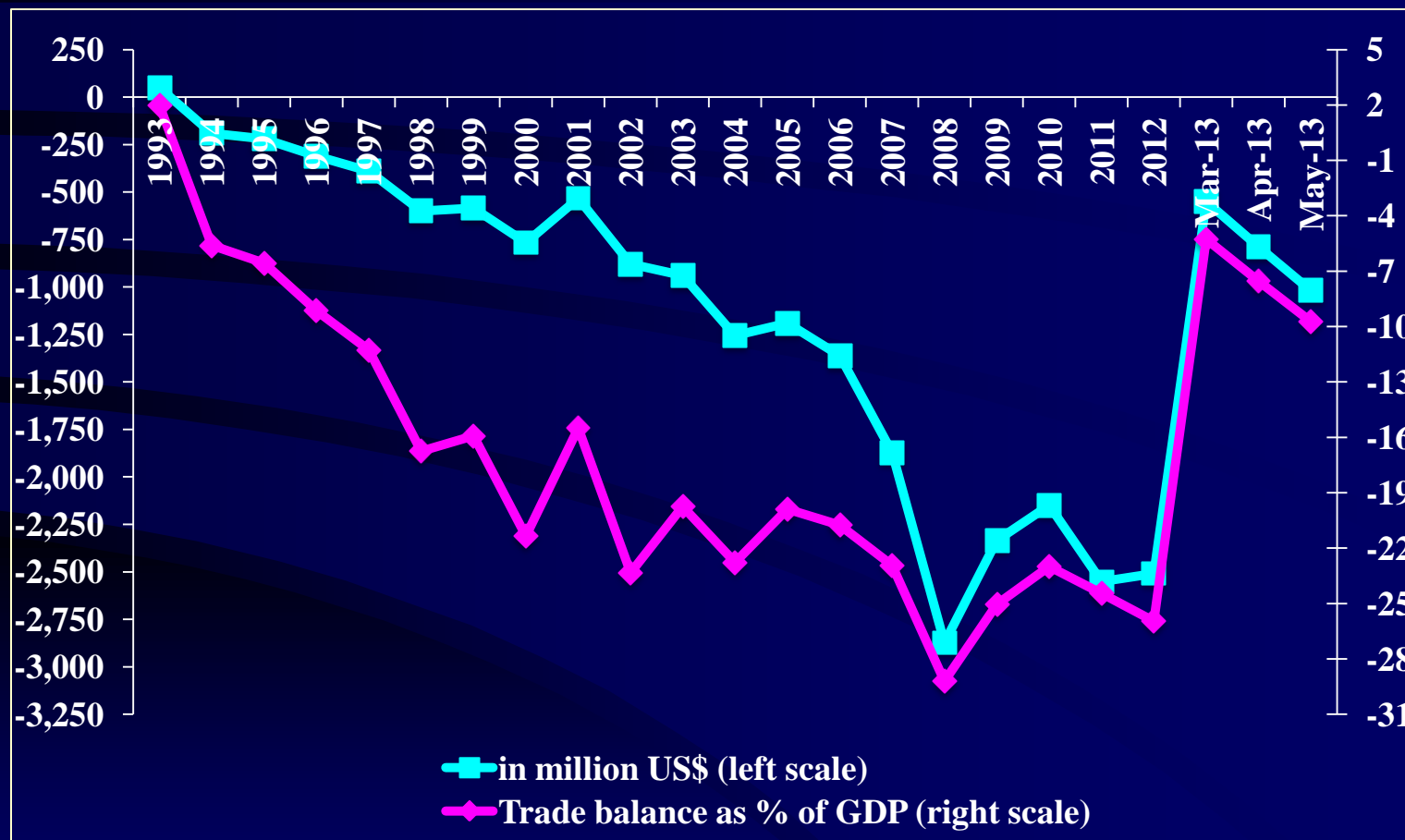


Foreign trade

(% change = period / last year's period)



Trade balance



Top trading partners

(at the end of May 2013, in percent of total)

- **Exports**

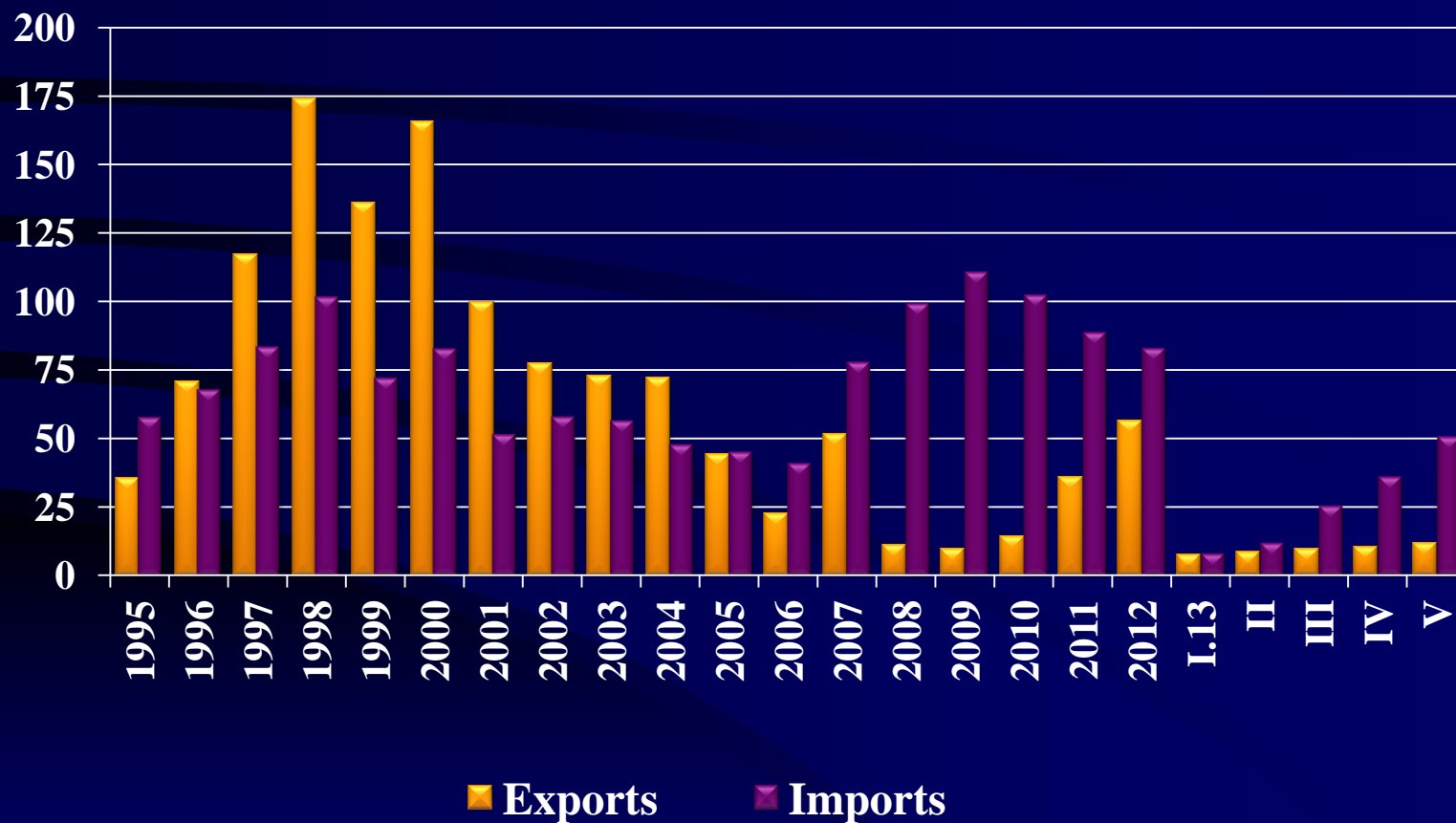
1. Germany = 36.0%
2. Bulgaria = 8.0%
3. Italy = 6.9%
4. Kosovo = 6.8%
5. Serbia = 6.4%
6. Greece = 5.9%
7. Croatia = 2.6%

- **Imports**

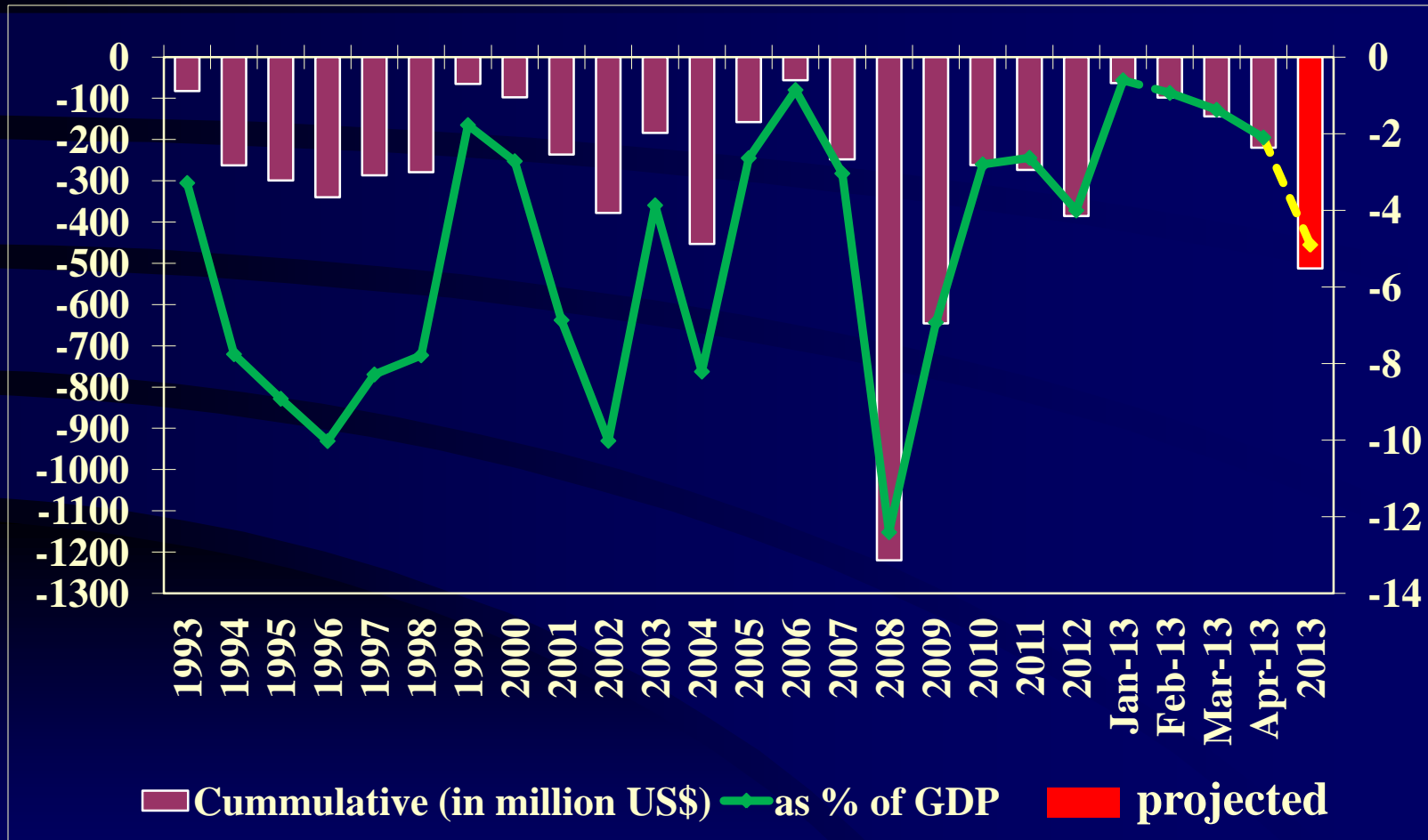
1. UK = 11.4%
2. Germany = 10.3%
3. Greece = 9.0%
4. Serbia = 7.4%
5. Italy = 6.3%
6. China = 6.0%
7. Bulgaria = 5.1%

Trade with the USA

(on cumulative basis, in million US\$)



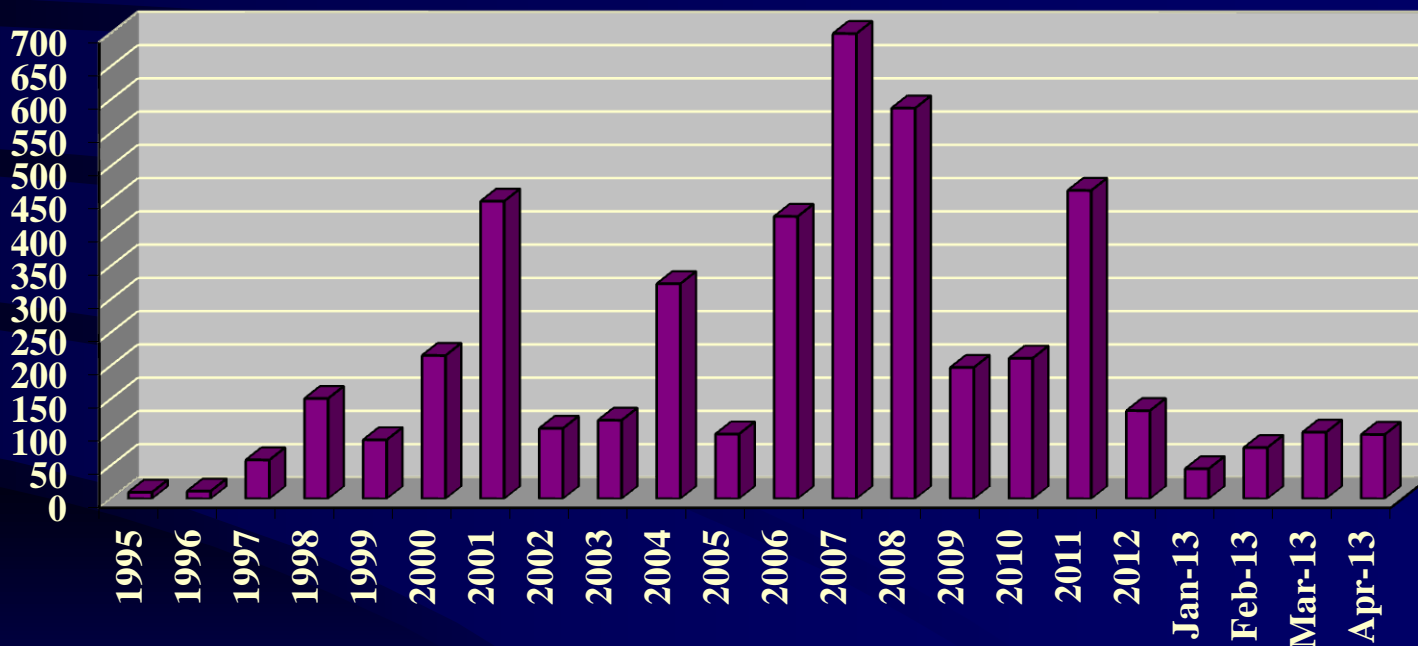
Current account balance



Foreign Direct Investment

(in million US\$)

2003	117.8
⇓	
2004	323.0
⇓	
2005	97.0
⇓	
2006	424.2
⇓	
2007	699.1
⇓	
2008	587.0
⇓	
2009	197.1
⇓	
2010	293.8
⇓	
2011	409.9
⇓	
2012	132.2
⇓	
Apr. 2013	96.4



Foreign exchange reserves

(in million US\$)

Dec.2001 775.2

⇓

Dec.2002 734.5

⇓

Dec.2003 903.4

⇓

Dec.2004 985.7

⇓

Dec.2005 1,331.1

⇓

Dec.2006 1,871.0

⇓

Dec.2007 2,219.2

⇓

Dec.2008 2,106.2

⇓

Dec.2009 2,289.8

⇓

Dec.2010 2,276.9

⇓

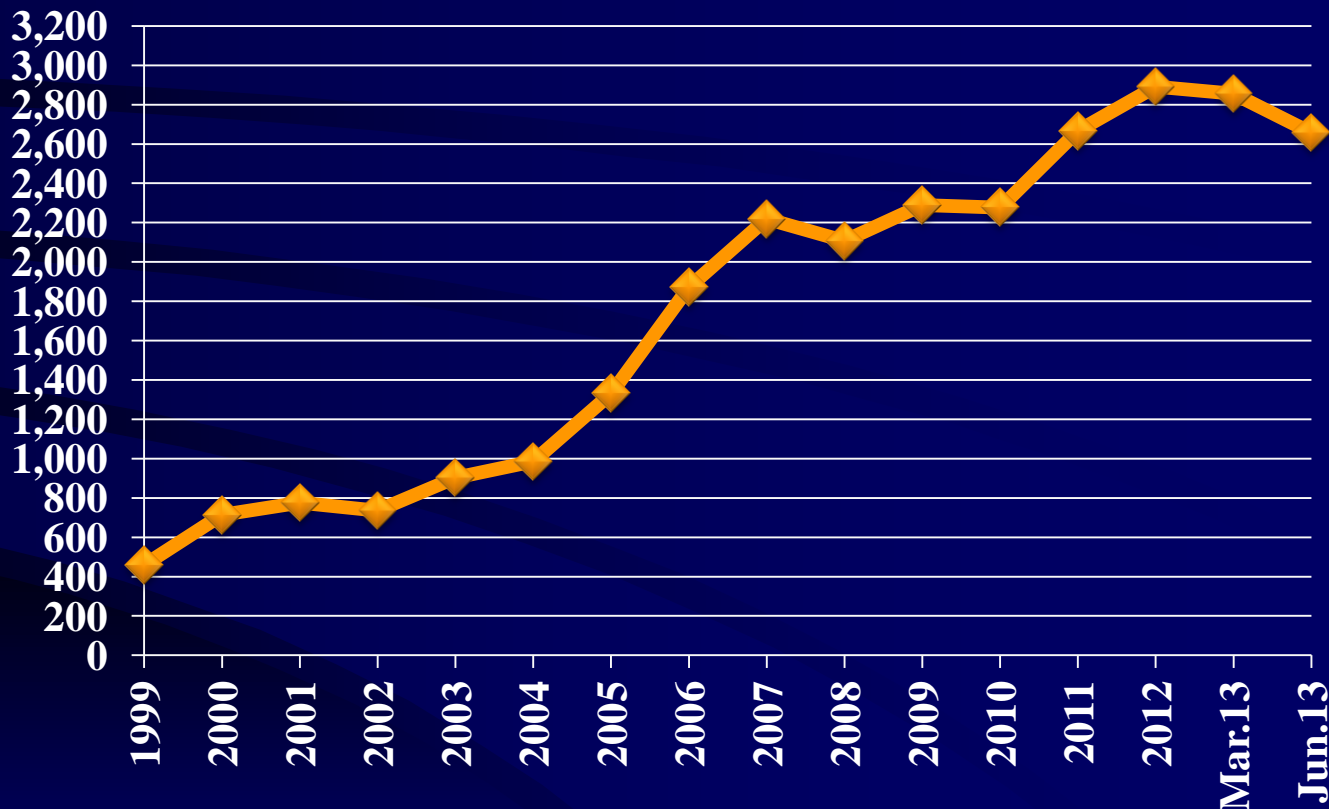
Dec.2011 2,666.6

⇓

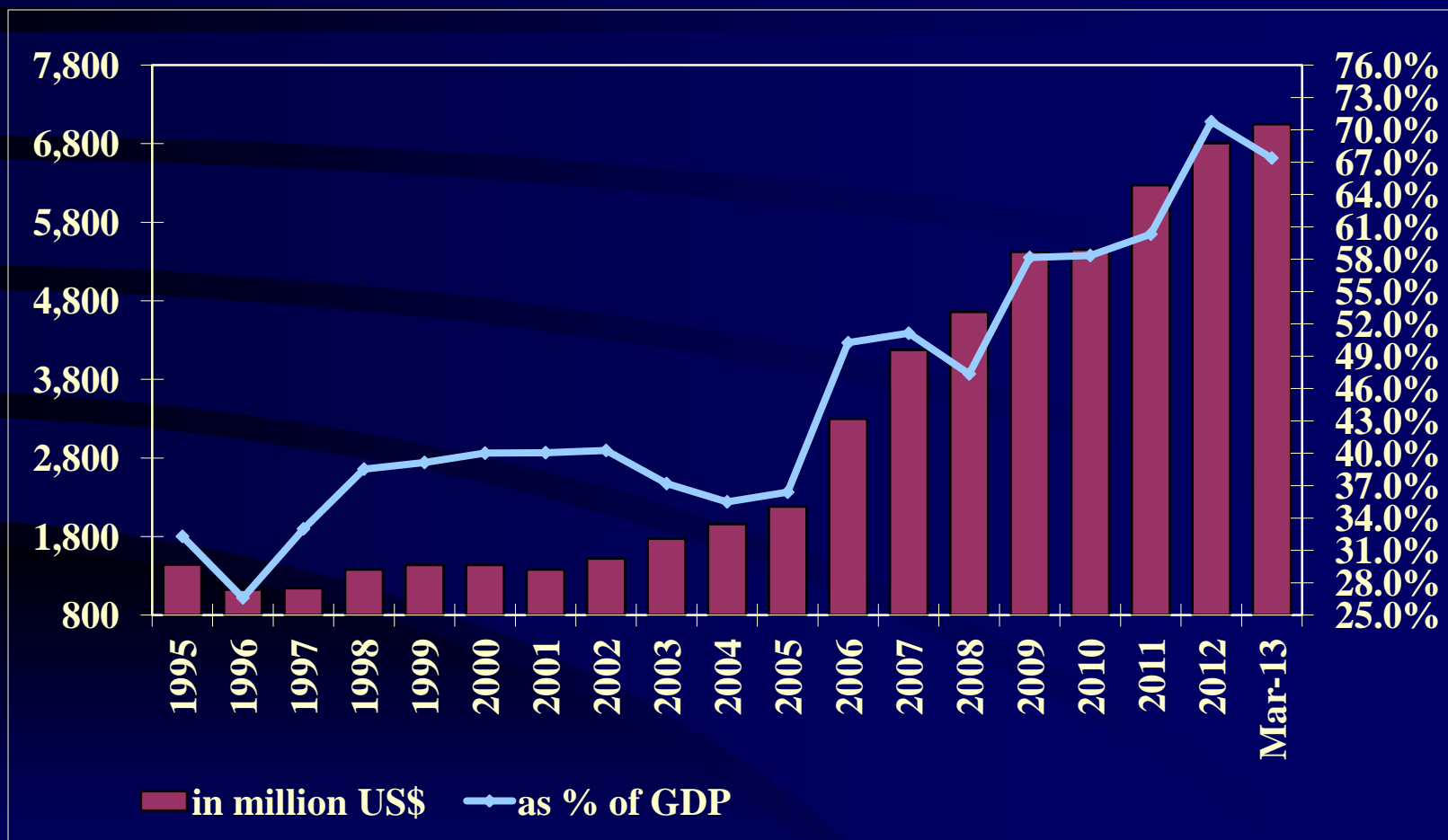
Dec.2012 2,891.4

⇓

Jun.2013 2,657.5

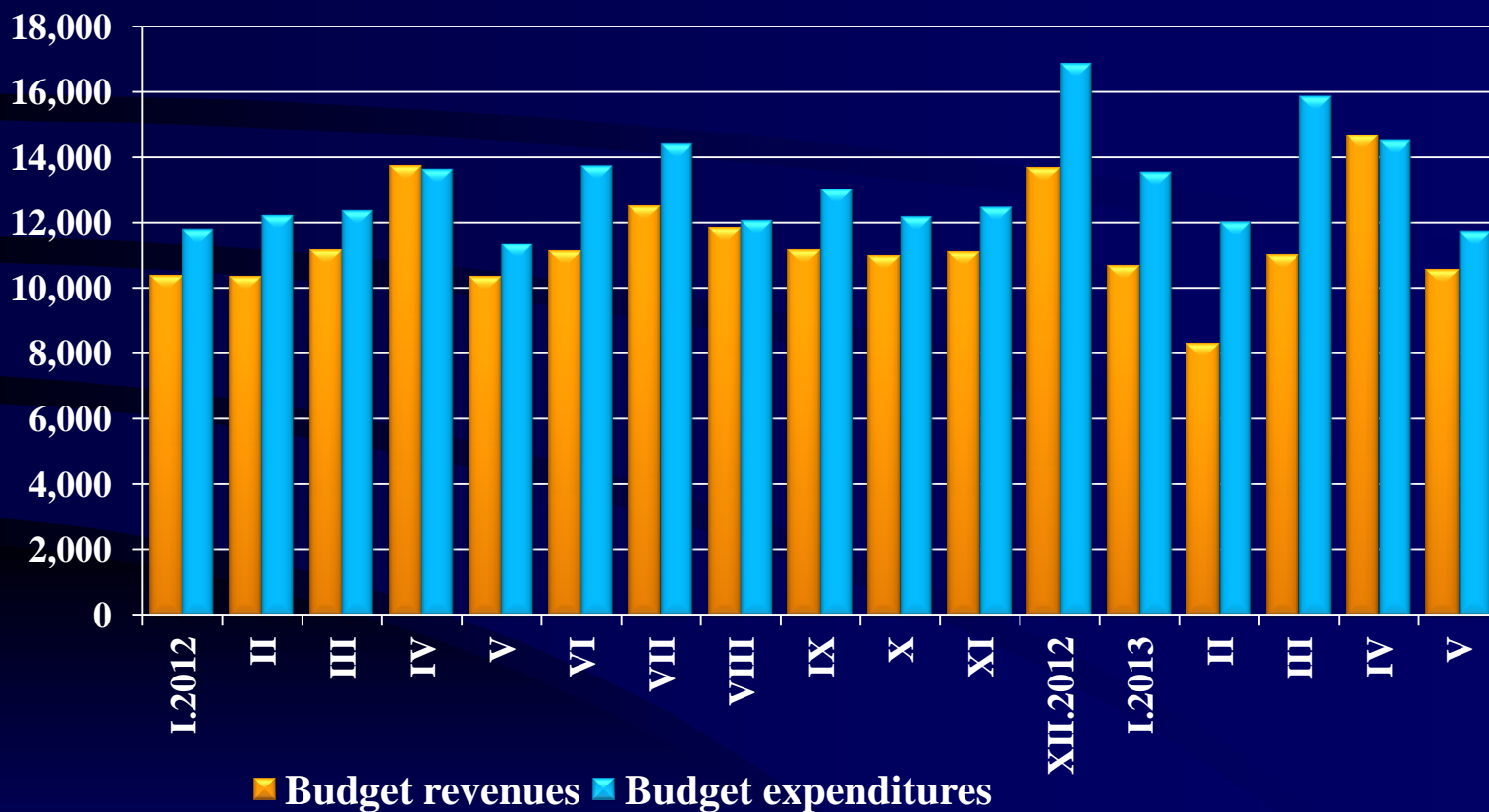


External Debt



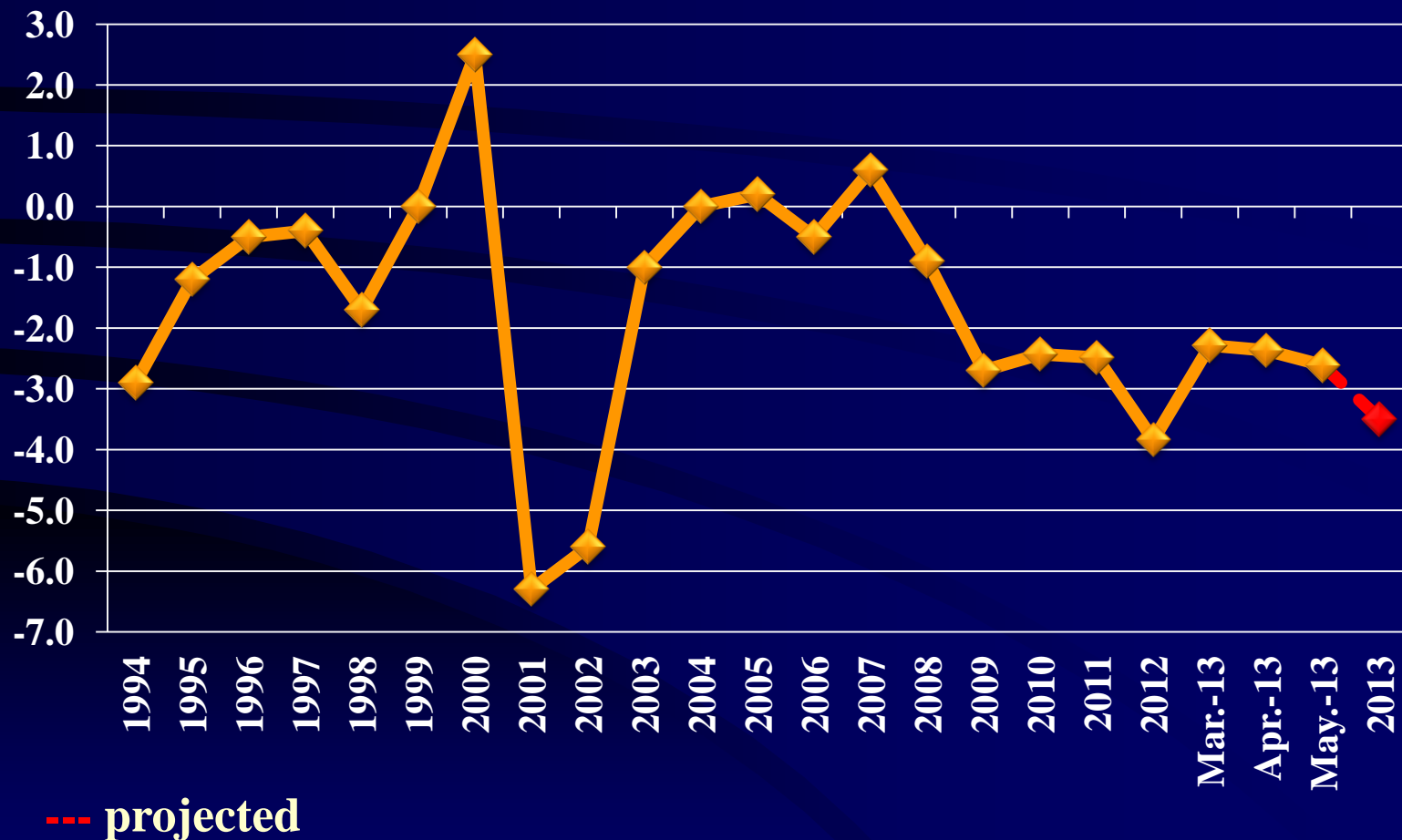
Budget revenues and expenditures

(in million Denar)



Budget balance

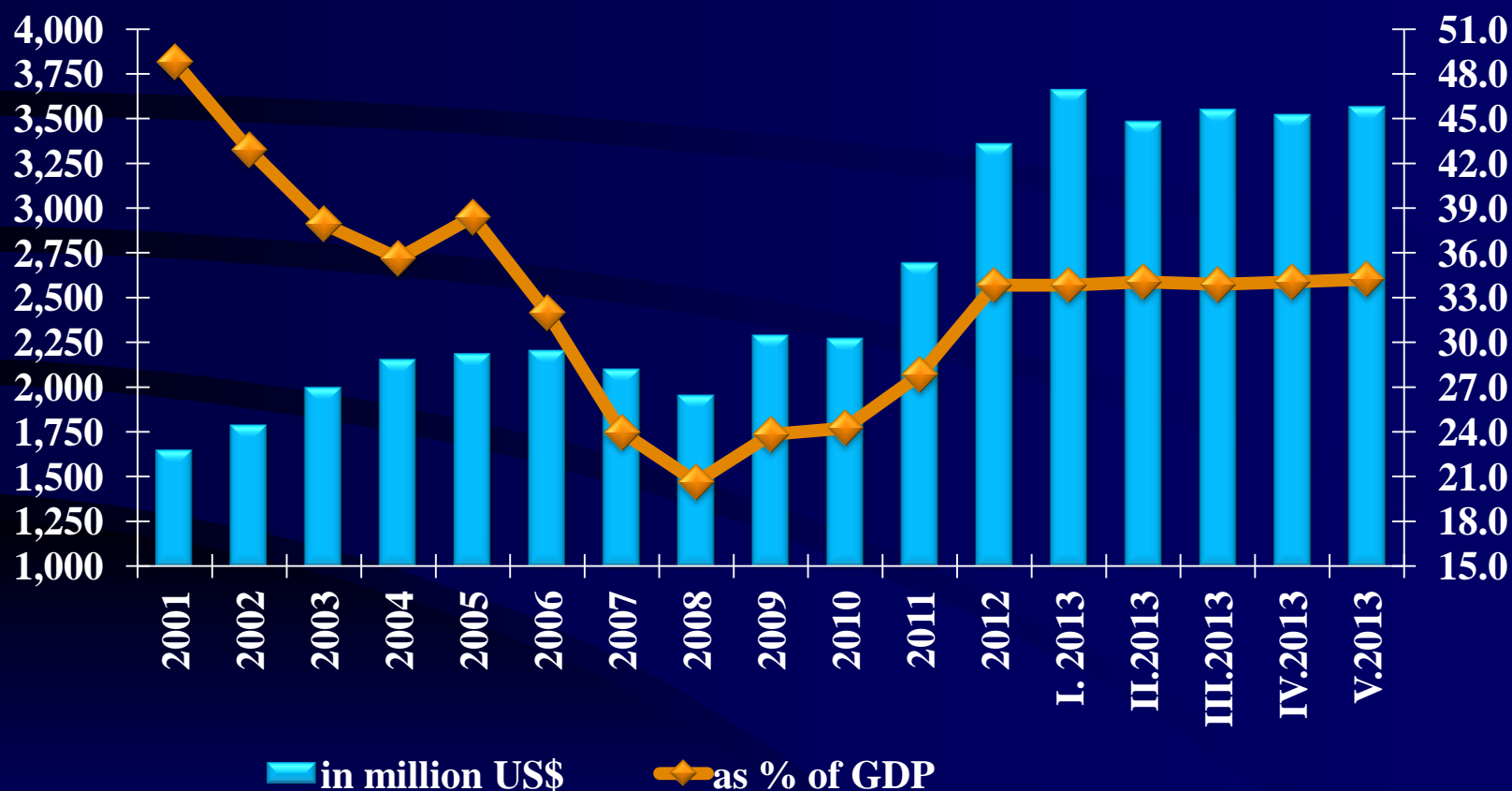
(as % of GDP)



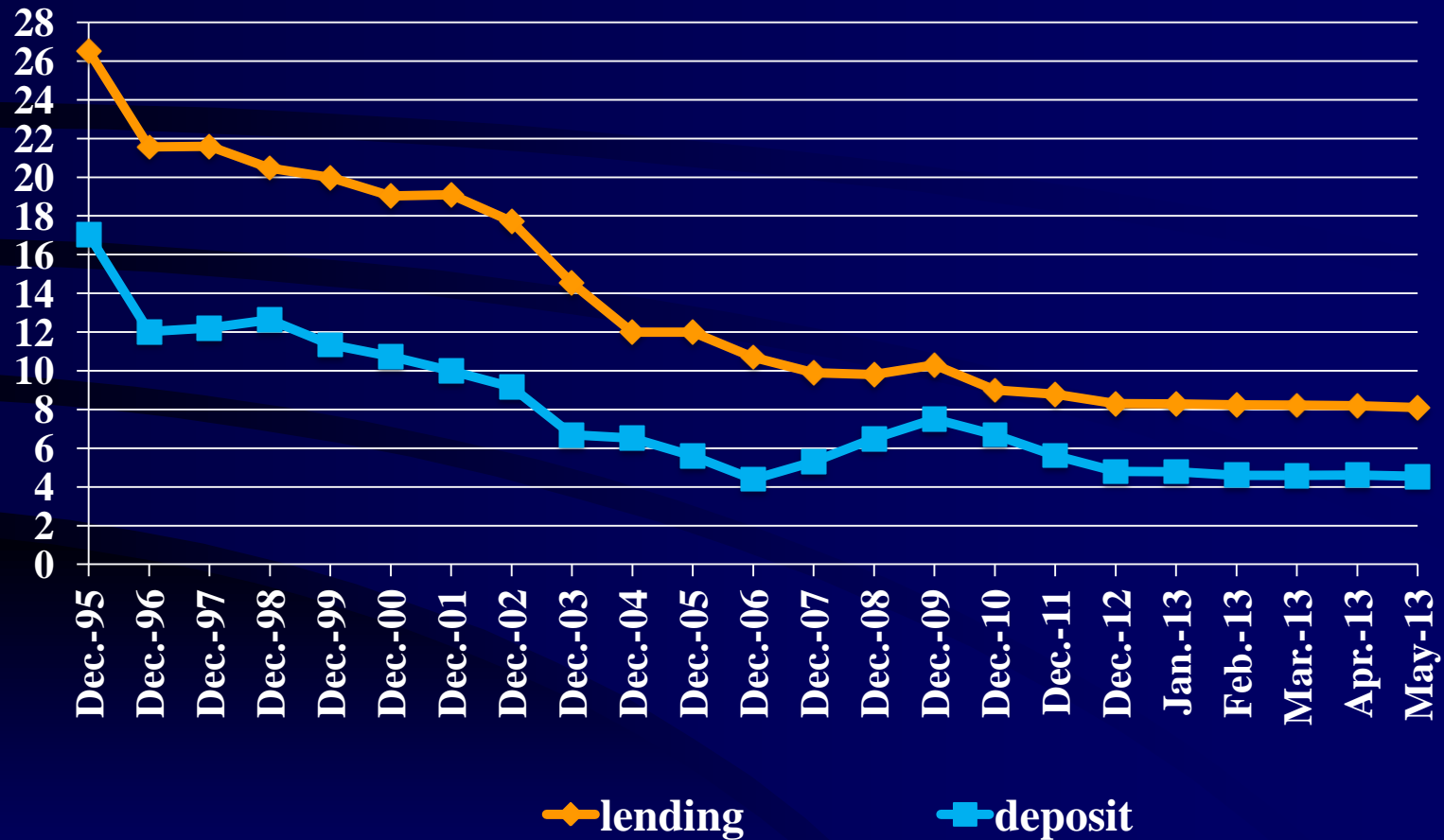
Fiscal performance (May 2013, in million denars)

	January - May		Index	January - May 2013	
	2012	2013	2013/2012	% share	% of plan
Total Budget revenues	55,844	55,113	98.7	100.0	37.2
1. Primary revenues	35,489	34,455	97.1	62.5	35.7
A. Tax revenues	30,793	30,404	98.7	55.2	36.8
- personal income tax	3,888	4,158	106.9	7.5	40.2
- profits tax	2,016	2,612	129.6	4.7	65.3
- VAT	15,620	14,486	92.7	26.3	32.1
- excises	5,955	5,585	93.8	10.1	38.1
- import duties	1,619	1,781	110.0	3.2	45.2
B. Non-tax revenues	4,696	4,051	86.3	7.4	29.3
2. Capital revenues	3,371	2,679	79.5	4.9	60.4
3. Foreign donations	441	967	219.3	1.8	27.4
Total Budget expenditures	61,263	67,550	110.3	100.0	40.8
1. Current expenditures	54,621	60,787	111.3	90.0	41.4
- wages, salaries and allowances	9,445	9,392	99.4	13.9	40.6
- goods and services	6,203	6,743	108.7	10.0	38.7
- transfers	38,067	43,037	113.1	63.7	42.1
- interest	906	1,615	178.3	2.4	39.3
2. Capital expenditures	6,642	6,763	101.8	10.0	36.1
Financing	5,419	12,437	229.5		
1. Borrowing from abroad	1,232	17,540	1423.7		
2. Privatization receipts	0	270	-		
3. Domestic borrowing	9,881	7,669	77.6		
4. Deposits	-3,940	-854	-		
5. Repayment of principal (outflow)	1,807	12,418	687.2		

Central Government Debt

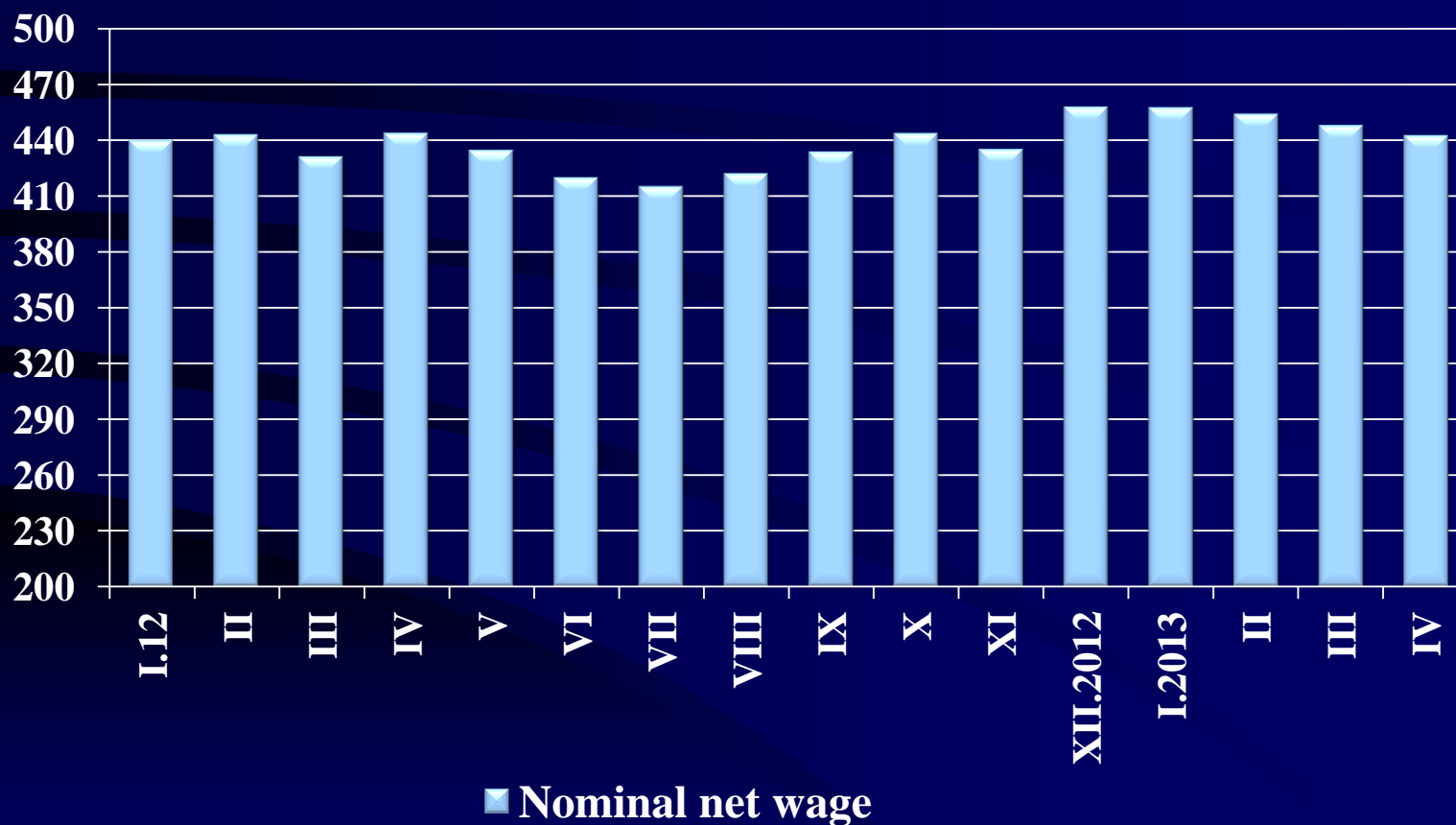


Nominal Weighted Interest Rates

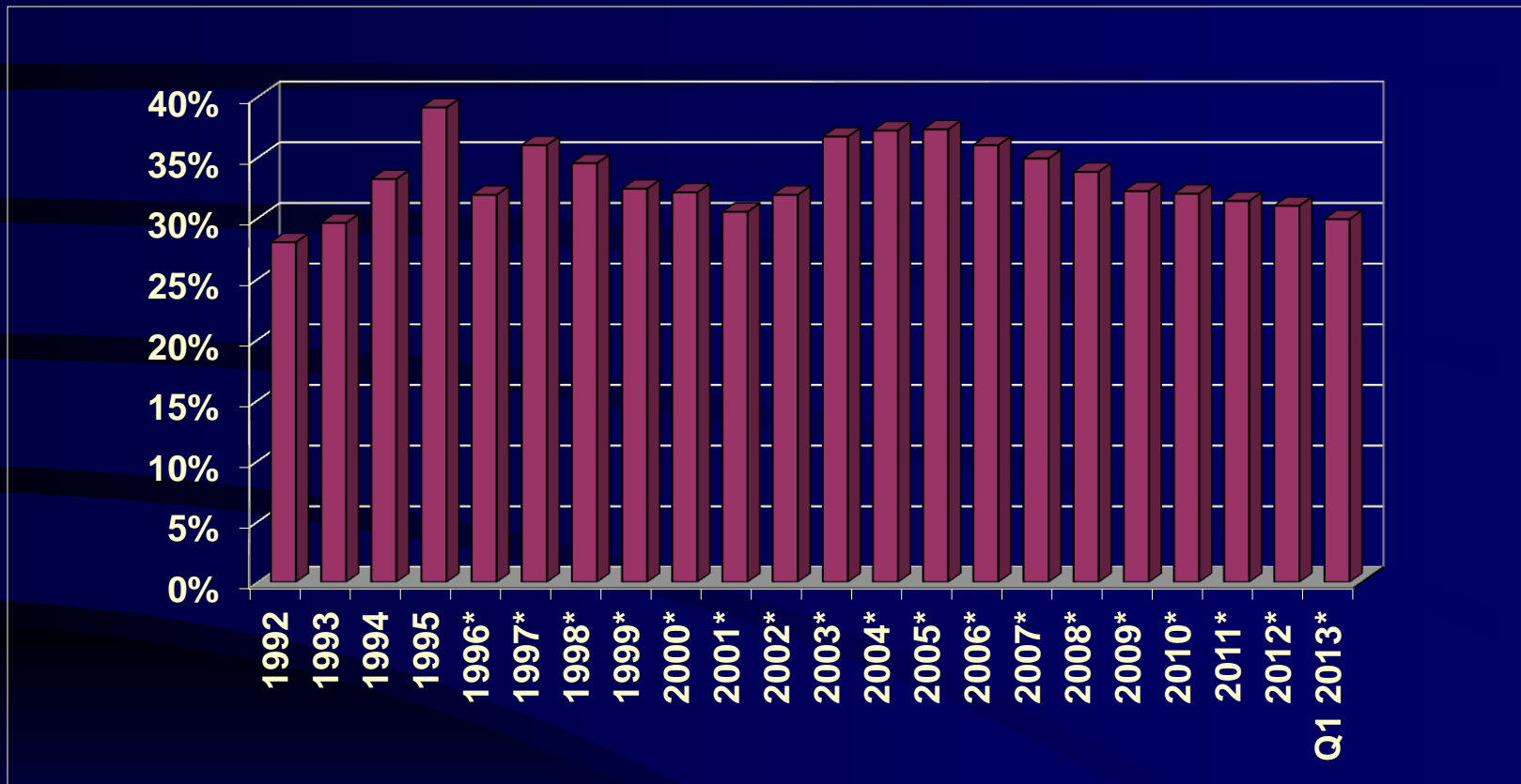


Nominal Net Wages

(in US\$)



Unemployment (in percent)



* Source: Labor Force Survey (State Statistical Office)

- 30.4% of the population lived below the poverty line in 2011
- “gray economy” is estimated between 15% and 40% of GDP

Challenges

- Recover economic growth
- Restore fiscal discipline and sustainability
- Continue structural reforms and improve the business climate
- Respect property rights and enforce the rule of law
- Judiciary reform
- Attract more FDI; encourage domestic investments
- Continue battle against corruption, improve governance, reduce “gray economy”
- EU and NATO accession